

LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

INDUSTRIAL CHEMICALS

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	6,180.29	6,365.70	6,524.84
Total Local Production	4,718.94	4,860.51	4,982.02
Total Exports	963.02	991.90	1,016.69
Total Imports	2,424.37	2,497.10	2,559.52
Imports from the U.S.	803.72	827.83	848.52

The overall chemical products market in Colombia is estimated at \$6.52 billion. This sector is one of the largest and most complex in Colombia. The chemical sector accounts for approximately 10.1 percent of industrial employment. It also represents 3.5 percent of all establishments and 15.1 percent of gross manufacturing production.

Demand for basic chemicals for all industries, and especially active ingredients for the pharmaceutical, cosmetics, and food and beverage processing industries is expected to maintain steady growth of about two percent yearly. The chemical sector grew an average of three percent annually between 1995 - 2005.

The entire chemical sector was particularly favored by the open economy measures of 1991 with free licensing and minimum import requirements for about 85 percent of chemical product tariff classifications. Furthermore, Andean Community provisions provide patent protection for basic chemicals, active ingredients and several substances ordinarily imported by the majority of industry sectors. Industries most favored by these measures are those in the agricultural chemical, pharmaceutical, veterinarian, cosmetics and food processing sectors, which could then lead to new product development and investments in sectors with high consumption of industrial chemicals.

Industrial investment and research and development will enhance future prospects in this sector despite current low economic, financial and trade indicators. The Colombian market may reach \$6.7 billion if market conditions improve in the short run, i.e. in 2006. Colombia's ability to compete in a global economy will depend on its ability to modernize and automate its industrial infrastructure. To increase sales of industrial chemicals, industrial investment is required in the food and beverage industry, the pulp and paper industry, the chemical industry and the majority of processing industries. Investment is also required in the areas of energy, oil & gas, coal, water supply, water and wastewater treatment, and the application of environmental technologies.

Best Products/Services

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Industrial chemicals are used in a range of industries such as chemical processing, pulp and paper products, water treatment, oil drilling, textiles, synthetic fibers, soaps and detergents, primary metallurgy, electronics, plastics, pharmaceuticals, cosmetics, fertilizers, explosives, paints and coatings, and food and beverage production. A growing demand for industrial chemicals should result from more serious implementation of Colombian environmental legislation on water treatment. Other positive signs for increased demand in the short term are steady growth rates in the soap, detergent, edible oil and margarine industries; intensive oil and gas exploration and exploitation; and the expansion and modernization of refineries and other petrochemical facilities.

The agricultural sector has maintained healthy growth due to greater efficiency in cattle and poultry raising, as well as in the production of oil palm, sugar, rice, corn, flowers and fish/seafood products. Agricultural chemical consumption has declined recently, however, due to heavy rains that have destroyed several crops and due to an international coffee price collapse (with lower production and exports).

Opportunities

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U.S. suppliers have good opportunities to maintain their average share of the market for industrial chemicals if moderate expansion levels by some private firms in the petrochemical and chemical sectors are maintained. The two major refineries in Barrancabermeja and Cartagena will continue to be modernized, and there are plans for constructing at least one new refinery on Colombia's Caribbean coast.

Also contributing to opportunities for market growth in this sector are projects in the areas of water and wastewater treatment, pulp and paper, electric and gas utilities, petroleum refining, plastics production, metalworking, automotive assembly, food and beverage processing, water supply, and environmental technologies.

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Departamento Nacional de Planeación: www.dnp.gov.co

Revista Producción Manufacturera

SAFETY AND SECURITY

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	91.3	94.9	99.5
Total Local Production	27.0	28.0	29.4
Total Exports	25.0	26.0	27.2
Total Imports	89.3	92.8	97.3
Imports from the U.S.	51.1	53.1	55.6

In 2005, the Bogota Commercial Service provided Gold Key and Counseling Services to many U.S. companies seeking opportunities in this sector. This included a successful Safety and Security Trade Mission and numerous activities to support individual companies throughout the year. This steady activity only re-affirms the Commercial Service contention that the Safety and Security Sector is among the brightest of the best prospects in Colombia.

Due to the ongoing security concerns throughout the country, the security business in Colombia attracts many multinational companies that see Colombia as a promising and highly profitable market. End-users in Colombia have begun to understand the benefits involved in purchasing protection technologies both at a personal and corporate level. Companies have also recognized that administering a business implies conducting surveillance and keeping control of people, information, and property. Managers are also seeing the benefits of implementing security systems to reduce costs while helping to generate a sense of discipline and security awareness among employees.

Best Prospects/Services

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Alarm Systems and Security-System Integration:

- Intrusion Detection
- Panic-buttons
- Closed Circuit TV (CCTV)
- Perimeter Security
- Guard tour administration systems
- Software integration platforms

Access Control:

- Proximity cards
- Biometrics

- Automated Vehicle parking control

Information Security:

- Anti-virus solutions
- Perimeter protection
- Intrusion detection
- Firewalls
- Forensic tools
- Laptop security
- Authentication devices (smart cards and biometrics)

Automatic Vehicle Location (AVL):

- GPS receivers
- Communication modems
- GIS (Geographical Information Systems) software

Ionization Detection Devices:

- Explosives
- Narcotics
- Fixed and portable

Armoring:

- Personal protection garments
- Vehicle armoring
- Architectural armoring (doors and windows)
- Security film (for windows of vehicles and facilities)

Safety Equipment:

- Breathing masks and apparatus
- Safety accessories
- Fire Protection (Detection and Extinction Systems)

Surveillance and Counter-surveillance equipment:

- Digital cameras
- Zoom lenses
- High-sensitivity microphones
- Communications monitoring equipment
- Investigations software and tools

Polygraph Equipment:

“Lie detectors”

Specifically, the demand for perimeter protection, intrusion detection, and panic button systems has grown to the point of becoming a priority for middle to upper class families, and also for a wide range of businesses. The security industry that has emerged in Colombia in recent years has been experiencing steady growth. Top executives from both multinational and local firms have come to rely more heavily on different types of security equipment in order to protect their lives and property.

The Colombian market encompasses a wide range of technologies used to provide physical protection to facilities and residences. Beginning with the outermost protection ring, there are several options for perimeter security. Among the popular ones are laser beams and pressure sensors that can detect when an intruder breaks a pre-determined invisible barrier. In terms of the facility itself, a wide range of vibration, aperture, and motion sensors are available in order to signal an intrusion

Biometrics are being used increasingly. Silent panic-button systems in residences and offices have also become more common as they provide the option of discretely connecting to an emergency response service that will deploy a trained reaction team to the victim's location in coordination with the local police force.

Thefts at banks and commercial institutions remain a problem. This situation accounts for the fact that electronic surveillance systems such as Closed Circuit Television (CCTV) are among the most sought-after solutions for preventing and recording criminal actions against personnel and property in Colombia. Guard tour administration systems are also common in Colombia, especially if they offer the option of activating an alarm signal when a security officer does not show up on time at the next inspection post.

The other major threat faced by companies in Colombia is the possibility of a fire starting at or taking place near a facility or installation. Consequently, fire alarm/protection systems appear as the logical complement to a perimeter-protection and intrusion-detection system. The ongoing trend aims at the integration of all of the above-mentioned systems under common platforms provided by PCs and associated operating systems that allow for the centralization and optimization of security administration.

With the Internet reaching a larger segment of the population on a daily basis, companies and individuals have also become focused on protecting their information. This sub-sector is promising, as there exists a continually increasing demand for information security. Companies dedicated to this special niche of the security industry offer solutions that range from software programs (firewalls and anti-virus) to intelligent cards and devices that offer physical and logic protection for laptops and PCs, which preclude their unauthorized removal from company installations.

Also in the mid-1990s, satellite location technology (GPS - Global Positioning System) emerged as the principal tool for managing and securing vehicle fleets. Several companies in Colombia began to develop different types of solutions with the same purpose--providing automatic vehicle location. Transportation companies gradually became more and more interested, particularly as highway piracy became a serious threat.

Independent users have also become interested in this technology since some insurance companies offer discounts if vehicles are equipped with some type of vehicle location system.

Another sub-sector that has been traditionally productive and prosperous is that of vehicle and architectural armoring. Personal protection items such as armored vests also have a high demand in the Colombian market. This sub-sector relies extensively on the importation of materials such as “Kevlar,” but once the materials arrive in country, the production process is handled almost entirely by Colombian personnel. There are also good business opportunities for law enforcement equipment and accessories as indicated by recent visits from U.S. company representatives.

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Revista Producción Manufacturera

TELECOMMUNICATIONS SERVICES

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(Service figures are not available)

In Colombia the telecommunications sector has grown at a higher rate than the overall economy. Still this sector needs to develop more to compete globally. Greater broadband access must be the major focus to drive technological development in communications and connectivity. This telecommunications area provides attractive opportunities for U.S. telecommunications companies.

In Colombia, 70 percent of the population lives around a few big cities, mainly Bogota, Medellin, Cali and Barranquilla, and most of Internet users in the country access the web through telephone lines. Only 3.0 percent of Colombians have access to broadband. Cable and xDSL technologies have been adopted mostly by corporate clients and are available mostly in major cities.

Statistics up to the second quarter of 2005 show that the number of Internet users has increased 25.5 percent over the same period last year; up to the second quarter last year the number of users was 3,585,688 and this year it is 4.5 million. This growth is expected to continue during the rest of the year, but broadband expansion could accelerate it. Even though, there has been a significant increase over the past two years, the penetration is only 8.00 percent, which is very low compared to other Latin American countries with similar economies.

In mobile telephony the preferred technology has migrated to GSM, and there will be only three cellular telephone companies and one trunking by the end of this year. To generate new sources of revenue, these carriers must introduce enhanced services to compete for attractive business and consumer customers. The companies must offer differential, value added services such as text messages and access to the Internet to compete for the largest portion of the market. The number of mobile phone subscribers has increased 100 percent with respect to 2003, reaching 18.33 million subscribers, a penetration of 34 percent. This increase was expected since the entrance of the PCS provider at the end of year 2003. Comcel still has the most subscribers at 11.33 million and a 60 percent share of the market, Movistar accounts for 5.17 million of users and Colombia Movil only has 1.83 million subscribers.

Best Prospects/Services

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The telecommunications industries that will benefit most from expansion of broadband access in Colombia will be: cable operators, long distance companies, local exchange carriers, TV broadcasters, satellite companies, software developers, and Internet service providers. Broadband deployment is a top priority because it will increase revenues for

telecom carriers, as well as other industries, which should translate in significant investment in and growth of the Colombian economy.

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New regulations for the television industry are under consideration. Depending on the decisions the government makes, this sector will be either a favorable or unfavorable area for future investments. Although the telecommunications authorities have debated digital TV, it is still a very undeveloped area in Colombia. U.S. investors should be aware of whether the technology to be adopted in Colombia will be that used in the U.S. (ATSC) or that used in Europe (DVB).

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DANE: www.dane.gov.co

Ministerio de Comunicaciones: www.mincomunicaciones.goc.co

Comisión Reguladora de Telecomunicaciones: www.crt.gov.co

PLASTIC MATERIALS AND RESINS

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	1,259.0	1,109.1	1,148.0
Total Local Production	734.1	769.0	805.6
Total Exports	282.3	449.6	471.0
Total Imports	807.5	789.7	813.4
Imports from the U.S.	726.7	710.7	732.0

The plastics sector is one of the most dynamic of the Colombian economy as it serves most industries. The Colombian plastics processing industry was stable in 2004. 2005 created great expectations among local importers of plastics materials and resins and plastic processors as the proposed Andean Free Trade Agreement will bring new opportunities for their products.

According to the National Plastics Association (Acoplasticos), the local production of plastic raw materials and resins (PMR) grew by four percent in 2004, primarily as a result of a propylene polymers production increase from 280,000 tons in 2003 to 320,000 tons in 2004. Real growth in the plastics sector averaged six percent annually during the 2003-2004 period. For 2005 industry experts predicted a fourth-percent growth. As the Colombian economy and local demand for plastic products grow and the export programs are accomplished, this sector should continue to have a healthy growth of five percent for the 2006-2007 period.

Best Prospects/Services

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The local demand for plastic materials and resins is estimated at 623,000 tons per year, assuming a consumption of 14.6 kilos of plastic products per capita. Polyethylene, linear low-density, polypropylene, polyvinyl chloride emulsions and suspensions, and polyesters are the best prospects for imports into Colombia.

Opportunities

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The bottling and packaging industries serving the food processing, health, cosmetics, house cleaning, industrial products, and lubricating products markets are the major clients for plastics materials and resins, followed by the construction sector.

Manufacturing, another important plastic products' end-user, grew by 5.8 percent in 2005. The above industries use approximately seventy-two percent of the total imported and locally manufactured plastics materials and resins. Plastic items produced through extrusion have the largest demand accounting for 63 percent of the market. Injection accounts for 16 percent, blowing 11 percent, and calendaring, thermoforming, and molding accounting for ten percent (combined).

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Plastics Industries Association: www.acoplasticos.org

AUTOMOTIVE PARTS AND ACCESSORIES

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	1,158.8	1,214.2	1,303.3
Total Local Production	361.9	378.2	397.1
Total Exports	119.8	129.3	135.8
Total Imports	916.7	965.3	1,042.5
Imports from the U.S.	340.6	358.2	387.0

The Colombian automotive sector has experienced a significant recovery during the 2004-2005 period. It continues to be strong and solid. It is the fourth most important and dynamic industry in Colombia. The demand for automotive parts and accessories and service equipment is noteworthy, taking into consideration that the average lifespan of most of the 3.4 million motor vehicles running in Colombia is twelve to fifteen years.

Another factor favoring the automotive market is that approximately 80 percent of cargo transportation and passengers are moved in Colombia by land. Thus, transportation companies need to keep their vehicles in optimum condition to perform efficiently. Also, the approximately 80,000 motor vehicles produced and imported annually create a demand for after-market parts.

The development and growth of the automotive parts and accessories sector depends directly on the sale of motor vehicles in Colombia. Demand for automotive parts and accessories from the three local manufacturing plants (GM, Mazda, and Renault) showed significant signs of recovery in 2005 with a growth of 34.9 percent. Local carmakers are active in the market and have captured market-share by increasing the variety of models produced in country and for exports to Venezuela, Ecuador and other Andean countries. Imports of automotive parts and accessories and maintenance equipment are expected to grow as a result of the large number of vehicles imported and produced during the last five years, which are beginning to demand replacement parts and maintenance, and especially because of the permanent demand of parts and accessories for the maintenance and repair of the Bogota mass passenger bus transportation system, "Transmilenio," and similar systems that will be developed for Cali, Barranquilla, Medellin, the coffee growing region (Eje Cafetero) and other major cities.

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Best sales prospects over the short and medium term will be determined very much by the continued demand of the aftermarket and by the demand for parts generated by the equipment already in operation. According to industry and trade sources, local manufacturers plan to manufacture those automotive parts and accessories that will have the largest demand in the local market. Demand for imported equipment will continue the same trend, but the growth brought on by expanded markets created by international trade agreements (such as the CAN-Mercosur, G-3, ALADI, and the U.S. etc.) could mean more opportunities for U.S. imports.

Opportunities

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Tires for small vehicles, trucks and buses, gasoline and diesel engines, piston rings, cast-iron engine parts, carburetors, engine valves, other cast-iron engine parts, fuel-injection pumps, parts of fans, ventilating hoods, air conditioning and parts for motor vehicles, filters, ball bearings, tapered roller bearings, roller bearings, gaskets and similar joints of metal sheeting, electrical storage batteries, nickel-cadmium storage batteries, electrical distribution parts, terminals, electrical splices and electrical couplings, boards, panels, consoles, cabinets for motor vehicles, bodies for passenger automobiles, body stampings, gear boxes, drive axles with differential, suspension shock absorbers, radiators, clutches, suspension systems, parts for power trains, brake parts.

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Colombian Association of Automotive Parts Manufacturers-Acolfa: www.acolfa.com.co

RADIOLOGY EQUIPMENT

Overview

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(In millions of U.S. dollars)

	2003	2004	2005 (Estim.)
Total Market Size	37.1	56.2	68.0
Total Local Production	-	-	-
Total Exports	-	-	-
Total Imports	37.1	56.2	68.0
Imports from the U.S.	14.8	11.7	21.4

The Colombian import market for high tech radiology equipment increased by 38 percent from \$26.9 million in 2002 to \$37.1 million during 2003, and it continued growing during 2004 to \$56.2 million, a 51.4 percent over the previous year. Imports of radiology equipment represent 27 percent of the Colombian total import market for medical equipment, devices and supplies. In Colombia, there is no local production of high-tech radiology equipment.

The above statistics for the radiology equipment market also reflect a severe recession in 1998-1999 and by internal conflicts that delayed technology upgrading cycles and projects, including radiology equipment. However, the sector traditionally maintains high scientific and technical levels. State-of-the-art technologies are commonly used in second and tertiary level hospitals as well as in specialized radiology centers. Most health care centers and first level hospitals that provide basic care have X-ray services, at a minimum.

The prospects for sales of radiological equipment during the 2006-2008 period are expected to be strong since it is broadly accepted that diagnosis technologies that allow early detection and treatment of catastrophic illnesses reduce costs in the long term and improve one's quality of life. Such is the case of cancer, which, as life expectancy grows, becomes more frequent and its morbidity and mortality rates increase. The Empresas Promotoras de Salud – EPSs, the equivalent of the HMO's in the U.S., as well as health care institutions are progressively regaining financial stability after the broad reform mandated by Law 100 and implemented during the nineties.

Best Products/Services

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- 901812 Ultrasonic scanning apparatus
- 901813 Magnetic resonance imaging apparatus
- 901819 Other electro-diagnostic apparatus
- 902212 Computerized tomography apparatus

Opportunities

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A new government initiative recently announced by the Minister of Social Protection will encourage the upgrading of radiology equipment. The initiative includes three aspects: a) to have all EPSs and health care institutions prove their technical and financial capacity as well as demonstrate sufficient working capital to enable them to provide timely and quality services to their affiliates (which means a better cash flow in payments to hospitals and other health care institutions), b) a new credit line for hospital modernization under which ten-year loans with two-year grace periods will be available, and c) import tax exemption benefits for medical equipment imported by hospitals.

The Inter American Development Bank is also financing a project to assess the value of a significant number of public hospitals. Once the valuation is completed, it is expected that the government of Colombia will privatize these hospitals or offer them as concessions for administration by the private sector. The private sector administration or ownership will certainly start by updating radiology equipment.

The acquisition of medical equipment is also favored by the Government's measures to control the evasion of health contributions paid by employers and independent workers that will increase the sector's cash flow.

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Colombian Association of Hospitals and Clinics
www.achc.org.co

Colombian Association of Scientific Associations
<http://www.sociedadescientificas.com>
(Many Associations can be accessed from this page)

Colombian Association of Radiology
<http://www.acronline.org>

Colombian Association of Urology
<http://www.scu.org.co>

Colombian Society of Pediatrics
<http://www.scp.com.co/index.php>

A list of Colombian hospitals and their number of beds by specialty is available at:
<http://www.minproteccionsocial.gov.co/MseContent/NewsDetail.asp?ID=13482&IDComp any=24>

AIR CARGO SERVICES

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(In thousands of tons)

	2003	2004	2005 (Est)
Total Market Size	580.0	631.0	709.0
Total Local Cargo	132.0	129.0	137.0
Total Outgoing Intl. Cargo	286.0	332.0	385.0
Total Incoming Intl. Cargo	162.0	170.0	187.0
Incoming Cargo from the U.S.	88.0	86.0	90.3
Outgoing Cargo to the U.S.	214.0	232.0	244.0

Total estimated air cargo transported during 2005 was 709,000 tons (including domestic services). Total outbound air cargo during the same year amounted to 385,000 tons. The U.S. was the destination for nearly 63 percent (244,000 tons) of total Colombian export cargo. Flowers accounted for approximately 80 percent of the air cargo sent to the United States. Total inbound air cargo in 2005 was approximately 187,000 tons of which nearly 48.0 percent (90,300 tons) came from the U.S. Some of the product categories traditionally transported by air are flowers, textiles, apparel, footwear, and food products.

Ninety-nine percent of international air cargo transported in 2005 was handled through the country's four main airports as follows: Bogota, 75.0%; Medellin (Rionegro), 19.0%; Cali, 4.0% and Barranquilla, 1.3%.

Best Products/Services

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- Airport security and safety equipment
- Material handling equipment
- Inspection equipment security devices
- Forklifts
- Cold storage facilities for flowers and perishable products
- Telecommunications equipment and airport related software
- Aircraft for expanded air cargo operations
- Leasing, insurance and finance
- Information technology and related products
- Cargo Services (brokers, customs, etc.)

Opportunities

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Presidential and Congressional elections will take place during 2006. This usually creates uncertainties that slow down economic activities and many purchasing decisions are postponed. Nevertheless, the total annual air cargo market is expected to continue increasing at an annual average of 10 percent over the next three years. The government and private sectors have optimistic forecasts based on expectations of recovery of the economy. Reasons for this optimism are: The security and economic plans of the government that have fostered investor confidence (preliminary estimates show that the Colombian economy grew more than the 4.0 percent expected during 2005) and most economic indicators show positive results. Other reasons for optimism are the Free Trade Agreement (FTA) that Colombia is negotiating with the United States and the negotiations with Mercosur that would lead to a larger integration of Latin America and a very significant expansion.

On December 14, 2005, the Colombian Civil Aviation Authority, AEROCIVIL, opened the bidding process for the concession of Bogota's El Dorado Airport. The contract is scheduled to be awarded by June 9, 2006 when the airport terminals will be handed over to a private sector operator, including the cargo terminals

Principal Colombian airports require improvements to reach standard infrastructure levels. Therefore, there are numerous opportunities for products and services of U.S. companies in the air cargo sector over the next few years, from strategic alliances between airlines to equipment sales such as equipment mentioned above. U.S. service firms can also offer strategic planning and consulting services, technical advice, technology-transfer services, solutions and hardware for merging and consolidating airfreight operations. Financial firms can offer services for security/risk management.

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COLOMBIAN ASSOCIATION OF AIR TRANSPORTATION: www.atac.aero

COLOMBIAN ASSOCIATION OF FLOWER GROWERS – ASOCOLFLORES:
www.colombianflowers.com

NATIONAL INDUSTRIALISTS ASSOCIATION – ANDI: www.andi.com.co

ASSOCIATION OF INTERNATIONAL AIRLINES IN COLOMBIA – ALAICO:
www.alaico.org

COLOMBIAN SPECIAL ADMINISTRATIVE UNIT FOR CIVIL AERONAUTICS –
UAEAC: www.aerocivil.gov.co

NATIONAL ASSOCIATION OF EXPORTERS – ANALDEX: www.analdex.org

COLOMBIAN FREIGHT FORWARDERS, CUSTOMS BROKERS AND
WAREHOUSING FEDERATION – FITAC: www.fitac.net

TRAVEL AND TOURISM

Overview

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Expenditures of Colombian Travelers to Other Countries (In millions of USD)

	2003	2004	2005 (Est)
Total Market Size	1,630	1,977	2,162
Expenditures of Colombian travelers in the USA	732	818	908
Expenditures of Colombian travelers in the rest of the world	898	1,159	1,254

Around 3.81 million international air passengers traveled to and from Colombia during 2005 (15 percent more than in 2004). The U.S. share of the 1.94 million passengers traveling abroad from Colombia was approximately 39 percent, followed by South America with 28 percent, Central America, (Mexico and the Caribbean combined) with 17 percent, and Europe with 13 percent.

Around 757,000 passengers traveled from Colombia to the United States, of which an estimated 80 percent (605,000) were Colombians. In 2005, these 605,000 Colombian visitors spent an estimated \$908 million in the U.S., excluding airfares. Colombia ranks 17th in the world on the list of top arrival-generating countries for the United States, and third among Latin American countries after Brazil and Venezuela.

During 2005 the total number of Colombians traveling by air to foreign destinations increased by 15 percent when compared with 2004 while passengers going to the United States increased by 13 percent. Some of the main reasons for this significant increase were the devaluation of the dollar vis-à-vis the Colombian peso which continued to depreciate during 2005 and by year-end reached its lowest level in several years, and increased business travel to the United States, Latin America and other destinations due to the significant recovery of the economy and the expansion generated by the implementation of several trade and integration agreements.

The preferred destinations for Colombian travelers are Miami, Orlando, New York City, Atlanta, Houston, Fort Lauderdale, Los Angeles and Newark.

Currently, 80 percent of Colombians travel on a repeat basis. The average expenditure of a Colombian traveler to the United States is \$215 per person/day (excluding airfare), and the traveler spends an average of seven nights in the U.S.

Best Products/Services

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Air Transportation Services

Hotels, motels, lodging facilities

Passenger Car Rental

Restaurants

Sightseeing tours

Amusement: theme parks, natural parks and natural wonders

Shopping

Special interest (like sports, arts, entertainment)

Major beaches

Cruises

Health insurance cards

Opportunities

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The Colombian market offers excellent opportunities for promoting travel to the United States. During the last twelve years the total number of Colombian travelers to foreign countries showed a marked turnaround, increasing from 785,000 in 1992 to 1.3 million in 1997, 1.4 million in 2002, 1.7 million in 2004, and 1.9 million in 2005. As noted above, during 2004 this market experienced a significant upturn and this upward trend is expected to continue during the next few years. Although the United States is the main overseas destination of the Colombian business and tourist traveler, it is important to emphasize the strong competition that other destinations offer which calls for a continuous promotion of the U.S. market.

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COLOMBIAN ASSOCIATION OF AIRLINES – ALAICO: www.alaico.org

COLOMBIAN ASSOCIATION OF TRAVEL AND TOURISM AGENCIES – ANATO:
www.anato.com.co

COLOMBIAN HOTELS ASSOCIATION – COTELCO: www.cotelco.co

COLOMBIAN SPECIAL ADMINISTRATIVE UNIT FOR CIVIL AERONAUTICS –
UAEAC: www.aerocivil.gov.co

MINISTRY OF TRADE, INDUSTRY AND TOURISM: www.mincomex.gov.co

VISIT USA COMMITTEE COLOMBIA:www.visit@epm.net.co

COMPUTER HARDWARE AND SOFTWARE SERVICES

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	860.0	914.5	974.9
Total Local Production	9.0	10.1	10.7
Total Exports	4.7	6.9	7.3
Total Imports	855.2	910.8	970.0
Imports from the U.S.	510.0	540.7	575.8

As the fourth largest information technology (IT) market in Latin America, Colombia offers significant opportunities for U.S. suppliers of software and computer products and services.

Colombia's computer hardware/software market amounted to \$807 million in 2002, 860 million in 2003, 915 million in 2004 and it is estimated to reach approximately \$975 million in 2005. Real growth of 6.5 percent is predicted from 2003 through 2005, with services growing about 11 percent.

The Colombian imported software market is estimated to have an annual value of \$286 million. Despite the fact that piracy is one of the biggest problems that the Colombian software industry faces, the National Office of Authors' Copyrights has reinforced its efforts to prevent it. These actions are based on Colombian legislation that requires that companies present their software licenses in their accounting reports.

The growth of PC software has been boosted by the constant growth of microcomputer sales, which can be used as an indicator to project the market for PC software applications. The price of software for medium and large machines also includes high service costs. As a result, it is difficult to separate services from software, since the same software publishers sell the software, the installation, set up and equipment integration, and the customizing of the product.

An important characteristic of the computer sector in Colombia is the continuous change in market share (in units and dollars) within the computer, peripherals, and software categories. The Colombian market is composed mainly of desktop computers, networks, laptops and handheld computers. Although microcomputer sales represented only 10 percent of the market a few years ago, they now represent more than 32 percent, followed by peripherals at 25 percent and software at 20 percent. Related hardware (including servers) represented 10 percent; networking products, eight percent; and maintenance services, five percent. By the end of 2005, it is estimated that the number of computers in use in Colombia will exceed four million units.

Best Products/Services

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The software packages that will continue to be in the highest demand in Colombia are those for customer relationship management (CRM), supply chain management (SCM), business intelligence (BI), database management, electronic document management (EDM), and enterprise resources planning (ERP).

Both the public and private sectors have engaged in a large number of ongoing modernization programs with a great need for software applications and computers to interconnect servers as well as to integrate front and back offices. Currently, the major markets for software applications are telecommunications, energy, transportation, agribusiness, education, financial services, industry, and healthcare.

Opportunities

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The Colombian software and computer industry is a strong market for U.S. firms because of its importance to the Colombian economy, the large number of industries the sector can serve, the interest in these sectors to keep up-to-date with the technical developments in the sector, and the significant number of executives that attend the most important international software and computer events.

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OIL AND GAS MACHINERY AND SERVICES

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	803.5	910.2	1,360.0
Total Local Production	58.2	70.0	100.0
Total Exports	34.8	69.8	40.0
Total Imports	780.1	910.0	1,300.0
Imports from the U.S.	415.7	650.0	790.0

Colombia has estimated reserves of between 12 to 47 billion barrels of crude and natural gas distributed in eighteen sedimentary basins covering over 1,036,400 square kilometers. Seven of these basins have ongoing commercial production activity. The total area under exploration and production is estimated at 30 percent of the territory, leaving most of the country available for exploration activities. The prospectivity index in Colombia is approximately two wells per 1,000 square kilometers, one of the lowest in the world.

As of the end of 2004, Colombia had some 1.4 billion barrels in remaining oil reserves, and with an annual oil production rate of about 198 million barrels per year, reserves could last for seven years, at which time Colombia would be a net importer of crude. Total natural gas reserves at the end of 2004 were 6.5 tera cubic feet and could last more than 20 years given the country's annual consumption of 209 giga cubic feet, and there are indications that demand is expected to increase above these levels. As a result, the Colombian government has made oil & gas exploration a top priority, and one of the main challenges of the country is to achieve an average production level of around 900,000 barrels per day by the end of the decade. To reach this target, upstream investment levels should reach US \$2 to 4 billion, which should translate into the drilling of approximately 190 exploratory wells (most of them between 5,000 to 10,000 feet deep), in order to discover net reserves of approximately 2,400 million barrels of oil by 2010.

The National Hydrocarbons Agency (ANH) has signed a record of 54 exploration and production, and technical evaluation contracts that are expected to increase the country's crude and natural gas reserves. With the contracts, industry specialists project a need for new exploration and production drilling rigs (including offshore exploration and production platforms and ancillary equipment) that are currently unavailable in the Colombian market. In addition, two companies are developing heavy crude projects valued at more than US \$1.2 billion each.

The Cusiana-Cupiagua gas treatment plant is producing some 180 million cubic feet per day (MCFD), and may be expanded to more than 400 MCFD. The plant will help reach the government's objective to meet the estimated gas demand of 1,000 MCFD by 2013. Another project aims to increase natural gas production and help satisfy Venezuela's demand for natural gas via a new gas pipeline. Several private sector firms are developing plans to export Colombian gas to Panama to fuel their country's electric power plants.

To attract needed investment, the ANH is developing new incentives, and is improving a comprehensive data bank that interested firms can consult to determine the best areas for conducting exploration activities. Regulatory modifications introduced include reduction of royalty payments from a flat 20 percent of total production to a percentage that varies according to the volume of production and current international oil/gas prices. Other changes aim to reduce the government's current 50 percent participation in profits after deducting royalties and costs. This participation now fluctuates according to the size of the reserves discovered.

The government recently approved the elimination of import duties for equipment, spare parts and accessories destined for various oil & gas activities (exploration, production, transportation, and refining). The measure also covers minerals exploration, production, processing, transformation and transportation. This benefit will expire on October 2010, and will allow for enhanced market access for U.S. exporters given a favorable exchange rate, better product quality and relative proximity to Colombia.

Best Products/Services

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The best oil and gas equipment and service prospects in Colombia for U.S. firms are in the seismic activity services (both two- or three dimensional); improved analytical seismic computer codes; drilling equipment (including directional drilling); drilling fluids; wellhead equipment (such as Christmas trees, valves, compressors, pumps, piping equipment, safety equipment, well completion, casing and cementing equipment); improved production stimulation, and enhanced oil recovery for selected fields in which production is dwindling. There are several fields with crude oil with less than 15 degrees API, which could require thermal recovery to pump it out. Eventually, if offshore exploration proves successful, Colombia would need offshore oil and gas production equipment (floating or fixed drilling rigs), particularly if the ongoing Caribbean-basin exploration efforts are successful.

Opportunities

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Any U.S. company interested in pursuing oil & gas exploration and production contracts must approach the ANH. If interested in providing services or supply equipment, then they must approach Ecopetrol or local petroleum companies directly. U.S. suppliers must contact relevant U.S. petroleum companies directly in their respective headquarters.

Other potential opportunities involve petrochemical projects estimated at US \$2 billion that could be very attractive to U.S. firms. These projects include a US \$1 billion expansion of the Cartagena Refinery to increase daily capacity to 140,000 barrels, a US \$730 to US \$1.2 billion Olefins Cracking Plant, and the US \$350 million for the Barrancabermeja refinery products hydrotreatment plant. Other investments include ethanol-producing plants to comply with Colombian law which requires a 10 percent ethanol blend with gasoline to improve air pollution conditions in the country.

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National Hydrocarbons Agency (ANH): www.anh.gov.co

Ministry of Mines and Energy: www.minminas.gov.co

Coinvertir (Invest in Colombia Corporation): www.coinvertir.org

Colombian Oil Company (Ecopetrol): www.ecopetrol.com.co

Colombian Government: www.gobiernoenlinea.gov.co

Inter-American Development Bank (IDB):

<http://www.iadb.org/exr/country/eng/colombia/>

National Planning Department: www.dnp.gov.co

The World Bank: www.worldbank.org

POLLUTION CONTROL EQUIPMENT

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	96.7	108.5	122.0
Total Local Production	10.0	12.0	12.0
Total Exports	8.5	13.0	10.0
Total Imports	95.2	109.5	120.0
Imports from the U.S.	54.4	71.3	78.0

While preliminary 2005 economic growth rates of 4.5 percent show that the economy is improving, environmental investments in both the public and private sectors continue at a standstill due to the country's fiscal deficit. It is anticipated that after the signing of the U.S.-Colombia Free Trade Agreement (under negotiation), compliance with the country's environmental regulations will be enforced, and industries will need to invest more in pollution control equipment and reduce current pollution levels.

Nearly 25 percent of Colombia's population (10.1 million) lacks aqueduct services, and 40 percent lacks sewerage (16 million), especially in the rural areas. 95.4 percent of the

urban population has potable water and 83.5 percent of the population has sewerage. For the country's rural areas the situation is different: aqueduct service coverage reaches 44.2 percent and sewerage coverage only reaches 21.1 percent. Colombia's Water Regulatory Agency (CRA) estimates that nearly 45 percent of the treated water (by the country's 1,800 water utilities) is not accounted for; it is produced but not paid for by the users or through losses in piping systems, therefore creating a large problem for utilities and users, hurting future investments.

Government sources estimate that the country needs to make environmental investments in the range of US \$3.3 to US \$3.4 billion per year to maintain an adequate level. The World Bank estimates annual investment needs in aqueduct and sewerage systems to be US \$700 million, or about US \$1.0 billion if wastewater treatment plant needs are included.

The Ministry of Environment, Housing and Territorial Development (MMA) considers that close to 80 percent of Colombian municipalities dispose of untreated wastewater into rivers or lakes. Colombia is a regional leader in the development and implementation of a wastewater pollution charge (tasa retributiva) but only a few environmental agencies have established regional funds to finance wastewater treatment facilities. Cities such as Bogota and Medellin own wastewater treatment plants, and other cities such as Cartagena are developing an underwater outfall system with World Bank funding or are developing plans for other treatment systems, but funding remains a central concern. Medellin is developing plans for a new wastewater treatment plant that could cost some US \$300 million.

A major obstacle to the sector's growth is the current fiscal deficit that affects the availability of resources from the government budget and smaller investments from private entities. Most public sector funds are expected to come from transfers from the electric power sector, and the collection of royalties, taxes, and other contributions from the so-called "green markets". New financing arrangements for the private sector include new credit and tax incentives such as sales and income tax exemptions for environmentally sound technologies, new economic instruments and pollution charges, carbon dioxide sequestration options, and other stock market alternatives.

Best Products/Services

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Best prospects include water and wastewater treatment plants, water pollution monitoring and control equipment, pumps, valves, solid waste hauling and disposal equipment, air pollution monitoring and control equipment, and environmental services (consulting). The operation and management of municipal services such as providing potable water and collecting, hauling and disposing of solid waste offer good market opportunities for U.S. firms.

Opportunities

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CRA is developing new regulatory methodologies to incorporate the cost of "unaccounted for" water, and the cost of sewage collection into end-user fees to allow for financing of large infrastructure developments needed throughout the country. In addition, the MMA is working on the incorporation of pollution charges to fund the cost of wastewater treatment plants. There are several projects with partial multi-lateral banks

funding. Regulations regarding air pollution and solid and hazardous wastes are being developed at a time when public financing is almost non-existent, and enforcement has traditionally been lacking.

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Ministry of Environment, Housing, and Territorial Development:

www.minambiente.gov.co

Coinvertir (Invest in Colombia Corporation): www.coinvertir.org

Colombian Hydrology, Meteorology and Environmental Research Institute:

www.ideam.gov.co

Colombian Government: www.gobiernoenlinea.gov.co

Water and Basic Sanitation Regulatory Commission (CRA): www.cra.gov.co

Inter-American Development Bank (IDB):

<http://www.iadb.org/exr/country/eng/colombia/>

National Planning Department: www.dnp.gov.co

The World Bank: www.worldbank.org

CONSTRUCTION AND MINING EQUIPMENT

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	193.2	259.6	310.0
Total Local Production	12.0	13.0	14.0
Total Exports	8.5	8.2	9.0
Total Imports	189.7	254.8	305.0
Imports from the U.S.	138.9	163.0	198.0

The Colombian government continues its efforts to improve the condition of its road network, facing challenges such as a high degree of deterioration, a lack of maintenance, and insufficient geographic coverage. Major investments in this area are needed to reduce the current excess costs in transportation expenses and vehicle deterioration, since roads are used to transport the vast majority of the country's cargo. At the same time, the government intends to develop an important program to promote navigation on the 1,600-kilometer Magdalena River running through the heart of the country.

During 2005, President Uribe continued his efforts to reduce the critical highway system's deterioration by bringing in new private sector investment and by allocating collected tolls to highway maintenance and rehabilitation efforts. The National Highway Institute expects to accelerate the development of several concession projects (affected by corruption problems, lack of adequate funding, and lower-than-expected toll

collections) to maintain its 16,500-kilometer road network. The Ministry of Transportation estimates that Colombia has more than 70,400 kilometer of roads that fall under the jurisdiction of state and municipal entities, many of which have not met their required maintenance and rehabilitation investment levels.

Additional construction projects involve state and city road networks, especially for mass-transportation networks with the use of articulated-buses such as the internationally-acclaimed Bogota Transmilenio mass-transport system. This innovative bus system will soon reach the industrial area of Soacha and additional new routes within the city. Other Colombian cities that may implement the Transmilenio system include Cali, Barranquilla, Pereira-Dos Quebradas, and Cartagena.

The government is also developing measures to reactivate the housing sector (aiming for 400,000 new housing units by 2006). The priority is to enhance buyer credibility in the financial system, thus attracting new investment in this key industry sector, and helping reduce current levels of unemployment. Announcement of these government measures has resulted in improved market conditions, such as the revaluation of existing housing units, an increase in construction activity in large urban areas, and favorable conditions to acquire new or used housing, among others.

Coal reserves in Colombia are estimated at 6.6 billion metric tons (about 40 percent of Latin American coal reserves) making the country the fourth largest coal exporter in the world with 47.8 million tons in 2004, and by 2010 the government expects to produce some 70 million tons. Coal increased its share of total Colombian exports and became the second most exported product after crude oil. The country also produces large amounts of nickel, gold, platinum, silver, emeralds, nickel and other resources.

The Colombian mining sector continues to be an attractive investment market and companies are developing major production expansions (especially coal and nickel). Several large foreign firms are setting up their branches in Colombia and are applying for exploration rights to develop new coal, gold and copper mines. This investment is attracting new smaller firms into the country.

The national mining code and the revision of the national mining development plan (PNDM) are leading to faster development of new mining projects and helping the government achieve its goal to increase Colombian exports. The government is developing an exploration plan to cover more than 120,000 square kilometers of promising areas, including geophysical and geo-chemical prospecting that could allow a better understanding of mineral potential and attract private partners.

The government recently approved the elimination of import duties for equipment, spare parts, and accessories destined for various mining activities (production, processing, transformation and transportation). The measure also covers oil & gas production, transportation, and refining. This benefit will expire on October 2010, and will allow for enhanced market access for U.S. exporters given a favorable exchange rate, better product quality and relative proximity to Colombia.

Most Colombian mines are open-pit mines, although there are some smaller underground mining operations. Best prospects for mining equipment include shovels, excavators, front loaders, tracked tractors, off-road hauling trucks, and related equipment and parts.

Best opportunities for construction equipment include excavators, backhoes, concrete pumping equipment, pavement equipment, pavement recycling equipment, tamping and compacting equipment, and other public works equipment and spare parts.

Opportunities

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Coal Expansion Projects: Drummond Ltd. and Carbones del Cerrejon are involved in major expansion activities that involve equipment fleet renewals, and infrastructure development.

La Linea Tunnel: The Colombian government opened a tender to build the 8.6 kilometer tunnel on the highway from Bogota to the Buenaventura Port, at an estimated cost of US \$274 million. The proposed tunnel is to be built between the municipalities of Calarca (State of Quindio) and Cajamarca (State of Tolima) at more than 2,400 meters above sea level.

Integrated Mass Transportation Systems (SITM): The government is looking for a US \$600 million credit to fund the central government's share in the expansion of Bogota's SITM, and the development of the Barranquilla, Bucaramanga, Cali, Cartagena, Medellin, and Pereira's SITM systems, that could cost some US \$2.6 billion.

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National Highway Institute (Invias): www.invias.gov.co

Coinvertir (Invest in Colombia Corporation): www.coinvertir.org

Colombian Government: www.gobiernoenlinea.gov.co

Ministry of Transportation: www.mintransporte.gov.co

Ministry of Mines and Energy: www.minminas.gov.co

Mining and Energy Planning Unit: www.upme.gov.co

National Concessions Institute (INCO): www.mintransporte.gov.co/inco

National Planning Department: www.dnp.gov.co

Drummond Ltd.: www.drummondltd.com

Carbonos del Cerrejon: www.cerrejoncoal.com

Colombian Geological and Mining Service: www.ingegominas.gov.co

Inter-American Development Bank (IDB):

<http://www.iadb.org/exr/country/eng/colombia/>

The World Bank (WB): www.worldbank.org

ELECTRICAL POWER SYSTEMS

(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	287.1	368.5	418.0
Total Local Production	111.3	122.4	140.0
Total Exports	59.5	85.3	93.0
Total Imports	235.3	331.4	371.0
Imports from the U.S.	96.9	142.5	142.5

The current Colombian electricity market is a direct result of the provisions set forth in various laws and decrees enacted since 1994. Public utilities and private generators are developing projects to accommodate the increasing power demand and are investing more in thermal and wind power generation than in hydro power plants, to reduce vulnerability to potential droughts.

The potential for U.S. sales in this sector varies depending on the respective activity: generation, transmission, commercialization or distribution. The electricity parts and supplies market also offers certain sales opportunities.

Electric power generation is a mixed public and private activity, with most of the assets owned by private firms. At the end of 2004, Colombia's installed electric power capacity reached 13,399 MW, with 63.7 percent hydro-based. With respect to centrally-dispatched thermal generation, about 80 percent of such plants are gas-fueled, and 20 percent are coal-fueled.

While theoretically open to competition, electric power transmission is virtually monopolistic. ISA, Interconexión Eléctrica S.A., is the only nation-wide electric power transmission company. Transelca, is the most important transmission company in Colombia's Atlantic coast region. The remaining 20 percent of the transmission networks belong to nine companies, some of which are also involved in distribution and trading.

Electric power distribution and trading activities are carried out by companies that handle a particular department (state) or metropolitan area. There are some 31 participating companies, nine of which are private.

The government is also promoting the use of renewable energy sources, especially for non-grid, isolated areas. Efforts are underway to promote private ventures in the areas of solar, wind, and small-hydro systems. If successful, this would allow the use of energy in sustainable community projects. Empresas Publicas de Medellin owns the country's sole wind power plant (Jepirachi), a 19.5 MW facility, which received financial support from the World Bank's Prototype Carbon Fund using greenhouse gas reduction credits. Other electric utilities are interested in pursuing renewable energy projects (mainly wind). Another non-traditional project is the Amoya run-of-river hydro project that is expected to produce some 80 MW of electricity and environmental services aimed at protecting the

surrounding paramo areas. Also the government is looking to develop a regulatory framework to expand the use of energy efficient systems and create awareness for the rational use of energy, including more cogeneration facilities.

Best Prospects/Services

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The electric power market is transitioning from large-scale infrastructure project construction to the optimization of power systems already in place. However, the government's projected demand scenarios call for new generation projects. Market potential depends largely on the increase of public and private sector industrial power demand, which would lead to the final implementation of some of the projects planned through the end of the decade.

Electrical power equipment opportunities primarily include power, distribution, and specialty transformers; switchgears; motors and generators; industrial controls; and steam, gas, and hydraulic turbines and turbine generator sets.

Opportunities

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The outlook for the Colombian electricity sector is promising since the government is planning the development of several new generation projects to accommodate the expanded demand (over the estimated demand growth rates), as well as the prospects of becoming a major exporter of electricity to the Andean region and Central America.

Some solid business prospects exist as a result of the trend in the market to continue complementing hydroelectric plants with gas-fueled thermal energy generators, including cogeneration systems. Also, trade and distribution companies are focusing on reducing losses by acquiring leading-edge management and control systems technologies.

The following are some of the projected major investment opportunities in the Colombian Electricity sector:

- Pescadero-Ituango Hydroelectric Complex – could become the largest hydroelectric power project in Colombia to date with 1,800 MW, and an estimated cost of US \$1.4 billion.
- Porce III Hydroelectric Project – a 660 MW project sponsored by Empresas Públicas de Medellín. This project has an estimated total investment of over US \$910 million.
- Cartagena Power Generation – sponsored by Ecopetrol and currently looking for builders and investors. This project entails the construction of a 120 MW hydroelectric plant, with an estimated investment of US \$120 million, as part of the expansion of the refinery.

Another promising business perspective is the Rural Energy Program aimed at providing electrical power to off-grid areas using renewable energy systems such as solar, wind and small & medium hydro plants. This program calls for new generation systems and the recovering of existing ones. The government has taken steps to secure funding for the program. This consolidation trend will also take place in the energy power systems sector.

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ACOLGEN (Association of Power Generation Companies): www.acolgen.org.co

CREG (Energy and Gas Regulatory Commission): www.creg.gov.co

Empresas Publicas de Medellin/EPM : www.epppm.com

ISA - Interconexión Eléctrica S.A. (Power Transmission): www.isa.com.co

ISAGEN (Power Generation): www.isagen.com.co

Mining and Energy Planning Unit, UPME: www.upme.gov.co

National Planning Department: www.dnp.gov.co

Superintendent of Public Services: www.superservicios.gov.co

The Ministry of Mines and Energy, MME: www.minminas.gov.co

Transelca: www.transelca.com.co

FINANCIAL SERVICES

Overview

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(Service figures are not available)

The Colombian financial system is relatively large in comparison with the nation's gross domestic product. It has many highly sophisticated institutions with state-of-the-art technology. However, financial services are still very costly and intermediation remains, by far, the most important financial activity.

In the process toward becoming a multi-banking system, the Colombian financial sector has been evolving from specialization to a scheme of subsidiaries. From 1993-1997, the system registered a credit boom despite the fact that a deviant speculative bubble was in evolution. This resulted in the financial crisis of 1998-2000. New reforms, which have fostered the conversion of mortgage banks into commercial banks, have been implemented to cope with this crisis. About one-third of banking and non-banking institutions were closed, taken over or forced to merge. Many of the weaker financial institutions are now affiliated with more experienced and financially sound owners. The presence of foreign banks has intensified competition, and government authorities have made significant efforts to improve the health of the financial sector.

Still, experts consider that the Colombian financial system has neither reached its ideal size, nor attained the multi-banking scheme. Further downsizing and operational cost reductions in the coming years are needed. Recent capitalization returned stability to the sector.

Commercial banks perform the broadest scope of financial services. They are allowed to complete all authorized credit operations, with the exception of leasing operations and real sector investments. Commercial banks dominate the financial market, accounting for over 80 percent of the financial system's assets.

The inherent financial activities in Colombia are provided by the following institutions under the direct supervision of the Financial Superintendent: 28 commercial/mortgage banks of which 25 are privately-owned and three state-owned; five financial corporations, 27 commercial finance companies including leasing companies and six pensions and severance fund managers.

Best Prospects/Services

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Colombia has made serious efforts to become competitive in the area of financial services. Structural conditions of the country's technological resources and the infrastructure of public services hamper a better outcome. Colombia's financial services heavily depend on the mass use of computers, Internet access, and the capacity of telecommunication channels and visible costs.

The banking sector predicts ongoing significant growth, particularly in electronic transactions for companies' payments, utility bills, taxes, etc. Banking entities are expanding Internet accessibility. Besides traditional corporate and personal banking (50 percent of total clients) they are focusing on the government sector and on investment banking. Personal banking transactions represent approximately 70 percent of total transactions while about 85 percent of the total value corresponds to corporate banking. The outlook is very positive for financial services beyond traditional operations.

The popularity of credit and debit cards is growing. The bulk of transactions are made by the 10.7 million debit cards holders. Visa, MasterCard, American Express and Diners are the most widely accepted credit cards, and according to the latest available data, there are 2.9 million credit card holders. One important incentive for credit/debit cardholders is the tax incentive of a 2 percent sales tax reimbursement on credit/debit card purchases.

Under an agreement with Bancolombia, American Express (travel, financial and network services company) initiated operations in Colombia in November 2002. Bancolombia has laid the groundwork for approximately 30,000 establishments to accept American Express credit cards.

The new trend is for local companies, particularly wholesale and retail hypermarket and supermarket chains, to issue their own credit cards to avoid the high margins charged by

the credit/debit cards. Also, fierce competition among hyper and supermarkets has forced merchants to offer additional incentives to clients.

The Automatic Clearinghouse (ACH), an electronic network of financial entities with credit/debit operations, is growing continuously. Transactions mostly include payroll payments, government payments, and supplier operations, among others. The sector's goal is to expand its financial services to turn the market into a more efficient and competitive industry that will offer better and cheaper products to the final consumer.

Primary electronic services offered by the Central Bank (Bank of the Republic) through its Banking Operations Division to institutions of the financial sector and the National Government, are:

- Central Deposit for Securities -DVC (Depósito Central de Valores), through which the management of securities issued and administered by the Bank of the Republic takes place.
- Electronic System of Negotiation –SEN (Sistema Electrónico de Negociación) of securities issued and administered by the Bank of the Republic in the secondary market, of simultaneous transactions and inter bank loans under the figure of payment against delivery, which is appropriate for the transparency in the determination of prices and the reduction of non-payment risk.
- Foreign Exchange, which handles the management of payment agreements, the International Exchange System, financing of imports and exports, checking accounts in foreign currency and international investments, among others.

Opportunities

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The Colombian financial sector had become stronger over the last four years. With a few exceptions, financial entities have experienced a remarkable recovery. Several factors have played a key role: restored economic growth and stability creating a corresponding need for credit and investment; low interest rates, a decline in non-performing loans and an increase in provisions. Privatization of public-owned financial institutions continues to be an issue.

The financial industry has benefited from the transfer of technology and increased efficiency brought by foreign investors and upgrading is becoming a common practice. Approximately US\$ 110 million were invested in technology during 2005. Currently, Colombia has not reached the banking standards of developed countries, but the sector's goal is to expand its financial services to make the market more efficient and competitive. Almost all financial entities are implementing plans to expand the infrastructure and coverage of their e-banking products/services, and access to financial services has improved specially with virtual banking. The outlook for sophisticated financial services is very positive as these programs are completed and end-users become more familiar with the new systems.

Market demand calls for locally chartered full-service commercial banks able to operate through a network of branches around the country. These banks should have a flexible approach to supply custom-made solutions to the diverse needs of domestic and international customers, and should be able to offer them a wide variety of products and services in private, correspondent and corporate banking as well as in investment banking.

Colombian banks need a range of information technology expertise including solutions and hardware for merging the operations of banking institutions. Electronic banking to support new products, and e-banking solutions & hardware are needed. Security and risk management solutions & hardware are a must.

The Manufacturing and transportation sectors have been the main users of leasing services. Leasing has taken a number of forms, including temporary importation of assets, cross-border leasing and sale and leaseback operations. Leasing companies have been gradually converting into finance companies.

Factoring and international credit insurance also offers opportunities. Transactional financing is more associated with consumer goods trade, while equity-based financing is more related to project financing.

FOOD & BEVERAGE PROCESSING AND PACKAGING EQUIPMENT

Overview

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(In millions of USD)

	2003	2004	2005 (estimated)
Total Market Size	119.0	131.4	142.0
Total Local Production	39.2	43.7	49.0
Total Exports	15.0	18.2	24.0
Total Imports	95.3	105.9	117.0
Imports from the U.S.	16.9	20.0	24.0

In Colombia, the food and beverage processing and packaging equipment industry is privately owned, except for a few government distilleries. Sector companies range from small family-owned enterprises to large Colombian, U.S. and third country multinationals such as Kellogs, Nestle, Compania Nacional de Chocolates, Noel, etc. The sector is an important component of the national economy that contributes approximately 10 percent to the GDP, and generates about 120,000 direct jobs. The sector is ranked as one of Colombia's lowest risk sectors.

National and international competition has influenced the sector, which is recognized by its high dynamism, permanent efforts to maintain state-of-the-art technology, continuous product innovation and their retail presentation. The most developed sub-sectors are those that process dairy, sugar, poultry, edible oils and greases, cacao, chocolate and other candies, and non-alcoholic beverages.

Company mergers to improve the efficient use of installed capacity are common, and many companies are investing in expansion plans.

Best Prospects/Services

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Food and Beverage Processing:

- Vegetable processing machinery
- Dairy processing equipment
- Brewery equipment
- Mixing and grading apparatus
- Filtering apparatus
- Heat exchangers

Packaging machinery:

Feeling, sealing, capping machinery

Opportunities

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As globalization and free trade agreements force companies to be more internationally competitive, the purchase of advanced technology and equipment becomes a priority.

The Colombian food and beverages processing and packaging sector is highly diversified. The end-users of equipment and technology in most of the sub-sectors have a wide range of sizes. Market opportunities for U.S. manufacturers present a similar variety in terms of equipment production capacity. The significant number of large food processors demand large production capacity, but the largest segment of the sector's companies are small and medium sized that require less installed capacity.

There is little competition from local producers in this sector. The quality of local technology has improved from basic equipment and spare parts manufacturing, but it still has to go a long way before comparing with the latest technologies and electronic/robotics based equipment and production/packaging lines.

Project financing is not a major problem because major market players generate project funding through their own successful operations and/or strategic alliances. During the last decade, medium and small companies known in Colombia as PYMEs (Spanish acronym for Small and Medium Enterprises) have been the target for special credit programs, encouraging them to reach higher technical and competitiveness levels for domestic and foreign markets. The proposed free trade agreement with the United States will only reinforce the importance of improving competitiveness of these firms.

Resources

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InterBev: www.interbev.com

International Exposition for Food Processors (IEFP): <http://www.processfood.com>

PackExpo: www.packexpo.com

XXIV Bogotá International Industrial Trade Fair and Alimentec: www.corferias.com

The VII ANDINAPACK International Trade Fair: www.andinapack.com

ANDI (National Industries Association): www.andi.com.co

Bancoldex (Foreign Trade Bank): www.bancoldex.com/general/index.php

Byington Colombia S.A. (D&B correspondent): www.byington.net

Coinvertir (Foreign Investment Promoter): www.coinvertir.org

Colombian Customs and Income Tax Offices: www.dian.gov.co

Colombian Government : www.gobiernoenlinea.gov.co

FENALCO (Merchants Association): www.fenalco.com.co

National Planning Department: www.dnp.gov.co

Presidencia de la Republica and/or Palacio de Nariño (President's Office):
www.sne.gov.co and www.presidencia.gov.co